

Message Text

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PAGE 01 KHARTO 01731 021827Z

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ACTION XMB-07

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FM AMEMBASSY KHARTOUM

TO SECSTATE WASHDC IMMEDIATE 6893

INFO AMEMBASSY KUWAIT

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C O R R R E C T E D C O P Y (TEXT)

DEPT PASS EXIM, ATTN: ALEX MCCOLLOUGH

E.O. 11652: N/A

TAGS: BPRO, SU

SUBJ: REQUEST FOR INFORMATION ON DR. KHALIL OSMAN

REF: STATE 150054

1. SUMMARY 02 WITH APPROPRIATE SAFEGUARDS, BELIEVE DR. KHALIL AND GULF INTERNATIONAL (GI) REPRESENT REASONABLE BUSINESS RISK.

GI IS MAJOR SUDANESE PRIVATE SECTOR ENTERPRISE WITH SUBSTANTIAL KUWAITI BACKING. DR. KHALIL HUMAN DYNAMO WHO IS CONTRAVERSIAL. WE HAVE HEARD CRITICAL REPORTS OF HIS OPERATIONS AND THEIR FINANCIAL UNDERPINNINGS BUT WE KNOW OF NO CASES OF PROVEN DEFAULT. END SUMMARY.

2. GI OPERATIONS: DR. KHALIL OSMAN (NOT THIS IS CORRECT ORDER OF HIS NAMES VICE THAT REFTEL) IS CONTROVERSIAL FIGURE IN SUDAN. AS INDICATED REFTEL, HE IS CHAIRMAN OF GI WHICH TO BEST OUR KNOWLEDGE IS LARGELY SUDANESE BASED. FINANCIALLY, HOWEVER, IT RESTS ON KUWAIT INTERESTS AND FUNDS, PARTICULARLY SHEIK SABAH, KUWAITI FONMIN, WHO IS GI CO-CHAIRMAN WITH DR. KHALIL.

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PAGE 02 KHARTO 01731 021827Z

IT IS SABAH'S PERSONAL FUNDS THAT ARE REPORTEDLY LARGLY INVOLVED.

GI'S SUBSTANTIAL SUDANESE INTERESTS CENTER ON SUDAN TEXTILES WHICH GI OWNS, BUT ALSO INCLUDE NUMBER OF OTHER MALLER ENTERPRISES INCLUDING GLASS FACTORY, CROP SPRAYING OPERATION, MEDICAL/SURGICAL SUPPLIES FACTORY AND NUMBER OF OTHERS. WE HAVE HEARD RECENT REPORT OF FISHING INTEREST (AS PER REFTTEL) BUT HAVE NO DETAILS. IT IS IN BRIEF ONE OF, IF NOT THE, LARGEST PRIVATE SECTOR ENTERPRISE IN SUDAN.

3. DR. KHNIL, THE INDIVIDUAL. DR. KHALIL IS HUMAN DYNAMO TYPE, ALWAYS ON MOVE, ALWAYS COMING UP WITH NEW IDEAS AND PROJECTS. HE IS "THE" SUDANESE ENTREPRENEUR, BUT HIS VERY DYNAMISM MAKES WAVES AND ENEMIES. HE SIMILARLY APPEARS TO MOVE IN AND OUT OF FAVOR WITH PRES NIMESRI, SOMETIMES BEING VERY CLOSE, OTHER TIMES LESS SO. HE IS SUBJECT MUCH DISCUSSION AND MANY REPORTS--OFTEN CRITICAL. HIS DEFENDERS ARGUE THAT MANY OF THE NEGATIVE REPORTS ARE SIMPLY FALSE RUMORS SPREAD BY THOSE JEALOUS OF HIS SUCCESS AND TRYING UNDERMINE HIM, PARTICULARLY WITH PRES NIMAIRI. WE HAVE DOUBTS AS TO HIS MANAGERIAL ABILITY--HE HARDLY STANDS STILL LONG ENOUGH TO PAY ATTENTION TO DETAILS--AND HE REPORTEDLY BROUGHT GULF FISHERIES IN KUWAIT TO NEAR BANKRUPTCY A FEW YEARS AGO WHEN HE MANAGED IT. WITH GI, HOWEVER, HE HAS GENERAL MGR WHO APPEARS SOUND AND HAS APPOINTED INDIVIDUAL SUPERVISORS OF OTHER ENTERPRISES.

4. GI FINANCIAL STANDING. REGARDING FINANCIAL STANDING, ONE HEARS CONFLICTING REPORTS ABOUT FISCAL SOUNDNESS OF GI'S ENTERPRISES, INCLUDING SUDAN TEXTILES WHICH IS UNDEOUBTEDLY KINGPIN. THESE INCLUDE REPORTS OF SOME PAYMENTS IN ARREARS. GI SOURCES, HOWEVER, WHILE ACKNOWLEDGING SUCH DELAYS HAVE OCCURRED, STATE THAT PAYMENT PROBLEMS LAY WITH BANK OF SUDAN AND SUDAN'S CHRONIC SHORTAGE OF FOREIGN EXCHANGE, THAT GI HAD MADE IN-COUNTRY TRANSFERS ON TIME, BUT THAT BOS DELAYED EXTERNAL TRANSACTION. EMBOFF WITHIN LAST FEW MONTHS HAS ALSO DISCUSSED FINANCIAL STANDING OF GI WITH DR. KHALIL'S LAWYER, NORMAN VANDER CLUTE, WHILE HARDLY UNBIASED SOURCE, DID OUTLINE POSITIVE PICTURE STARTING WITH SOLID FIGURES FOR SUDAN TEXTILES. WE BELIEVE VANDER CLUTE HAS PROVIDED AUDITED BALANCE SHEET TO EXIM IN CONNECTION CREDIT FOR TEXTILE MACHINERY SALE TO SUDAN TEXTILE.

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PAGE 03 KHARTO 01731 021827Z

5. OVERALL ASSESSMENT: BASICALLY, EMBASSY BELIEVES DR. KHALIL IS WORTHY OF ATTENTION AND GI IS REASONABLE BUSINESS RISK DEPENDING UPON PROJECT. WHILE IMPRESSED BY HIS MAGNETISM AND DRIVE, WE ARE AT SAME TIME MADE CAUTIOUS BY HIS SPEED OF MANEUVER, VARIETY OF SCHEMES AND OCCASIONAL GRANDIOSITY OF HIS PROPOSALS (SEE EMBASSY A-63, DATED JUNE 15, 1972 ON SUDAN DEVELOPMENT ASSOCIATION). BUT WE ARE UNAWARE ANY PROVEN REPORTS OF DEFAULT. GI ENTERPRISES KEEP GROWING; AND THERE IS SOMETHING TO BE SAID

IN A DEVELOPING COUNTRY FOR DR. KHALIL'S IMAGINATIVE CONCEPTS
AND INERTIA-SHATTERING APPROACH IF ONE IS TO GET SOMETHING
DONE AND GET PRIVATE SECTOR MOVING.

6. OBVIOUSLY, ANY TRANSACTION WITH GI SHOULD BE CONSIDERED ON
INDIVIDUAL MERITS AND WITH CAUTION, BUT ANY PROPOSAL FROM GI
WHICH HAS APPEAL FOR US SUPPLIER IS WORTHY OF FURTHER EXPLOR-
ATION AND COULD TURN OUT BE GOOD TRADE OPPORTUNITY. APPROPRIATE
SAFEGUARDS, HOWEVER, SHOULD BE OBTAINED. FRITTS

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